

CHARTER REVIEW COMMISSION

Wednesday, March 11, 2009

6th Floor Conference Room

Council Office Building

Commission Members Present:

Alice Gresham Bullock, Vice-Chair

Karen Czapanskiy

Wilbur Friedman

Mollie Habermeier

Robert Shoenberg

Judith Vandegriff

Anne Marie Vassallo

Charles Wolff

Staff:

Justina Ferber, County Council

Marc Hansen, County Attorney's Office

Marie Jean-Paul, County Council

Amanda Mihill, County Council

Guests:

Nick Johnson, Director, State Fiscal Project,

Center on Budget and Policy Priorities

Phil Oliff, Center on Budget and Policy
Priorities

Commission Members Absent:

Michael Cogan^{*}

Nancy Soreng, Chair^{*}

Commission Vice-Chair Alice Gresham Bullock began the meeting at 8:05 a.m.

I. Meeting with the Department of Finance

The Commission met Nick Johnson and Phil Oliff from the Center on Budget and Policy Priorities to discuss tax and expenditure limits in other jurisdictions, particularly at the state level because that is the Center's expertise. Commissioners learned that, compared with other states, few have the limits on property tax collection that Montgomery County has. Mr. Johnson noted that there are a few states that limit property tax collection increases to a certain percentage or to the rate of inflation. Other states have caps on rates, the overall budget, or on assessments (e.g., homestead tax credit).

Mr. Johnson noted that there are at least two points of view related to these types of caps. One view asserts that when a government limits revenues one way (e.g., tax caps), it is usually made up another way. A second point of view associates tax caps with negative impacts (for instance, important government functions can go unfunded).

Regarding override provisions, Mr. Johnson noted 2 ways that a cap can be overridden. First, lawmakers can use the referendum process, which typically requires a majority of the legislators to vote to put the measure on the ballot. Second, Mr. Johnson noted that there are other legislative body overrides. To exercise the override can require a supermajority, which is typically 3/5 or 2/3 vote. Mr. Johnson did not have an example of a jurisdiction that require a unanimous vote to override the tax cap (as is now required in the County). Mr. Johnson noted that the closest he is aware of is in Rhode Island, which requires a 4/5 vote.

Mr. Johnson discussed whether other jurisdictions have exemptions to the tax limit and noted that exemptions are relatively common on the property tax level and sometimes related to bonds. However, Mr. Johnson noted that once a restriction is in place, it is difficult to get rid of that

^{*} Absent due to illness.

restriction. Mr. Johnson also noted that if too many items are excluded from a cap, there really is no cap.

In discussing the role of government in a recession, Mr. Johnson noted that a strong property tax is the best thing for the local government and can be stabilizing because it is less volatile than other types of taxes, including sales taxes. Mr. Johnson stated that in a recession, the best thing is to have a healthy reserve built up and noted that most states have a rainy day fund.

In response to a Commissioner question, Mr. Johnson stated that $\frac{3}{4}$ of states have some property tax cap, but the cap varies, and $\frac{2}{3}$ of states have a loose or no tax cap.

II. Administrative Items

A. Approval of February 11 minutes

The Commission approved the February 11 minutes. Motion made by Karen Czapanskiy and seconded by Anne Marie Vassallo.

In favor: Alice Gresham Bullock, Karen Czapanskiy, Wilbur Friedman, Mollie Habermeier, Robert Shoenberg, Judith Vandegriff, Anne Marie Vassallo, Charles Wolff (8)

B. Discussion of future workplan

The Commission discussed that if it can be arranged, they will meet with Councilmember Duchy Trachtenberg in April and a representative from Park and Planning in May.

The meeting was adjourned at 9:14 a.m.